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Event Details

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Company: CVS Health Corp.
Ticker: CVS-US

Company Participants

Shawn M. Guertin - CVS Health Corp., Chief Financial Officer & Executive Vice President

Other Participants

Lindsay Golub - Analyst

MANAGEMENT DISCUSSION SECTION

Lindsay Golub

Good morning. My name is Lindsay Golub. I work on the healthcare services team at Goldman Sachs, and we're pleased to have you all here with us today in California. I have Shawn Guertin with us from CVS. We're very pleased to have them here.

Shawn M. Guertin

Thank you. Good morning, everyone.

Lindsay Golub

Great. So just before we start, just have to make some quick disclosures. We're required to make certain disclosures and public appearances about Goldman Sachs' relationships with companies that we discuss. The disclosures relate to investment banking relationships, compensation received or 1% or more ownership. We're prepared to read aloud disclosures for any issuer upon request. However, these disclosures are available in our most recent reports available to US clients on our firm's portals. Disclosures and updates to these disclosures are also available by ticker on the firm's public website gs.com/research/hedge. Also they will be stated by non-Goldman Sachs personnel do not necessarily reflect those of Goldman Sachs.

QUESTION AND ANSWER SECTION

Analyst: Lindsay Golub

Question – Lindsay Golub: Great. And with that out of the way, I want to start with the long-term question.

Answer – Shawn M. Guertin: Okay.

Question – Lindsay Golub: At the December Analyst Day, you've highlighted the potential to increase earnings growth by up to 2% starting in 2024, the new care delivery models and accelerating foundational growth. While I want to talk about getting into primary care in areas like home in a minute, the potential drivers of earnings improvement that you discussed then were broader and included things like omnichannel pharmacy, virtual care and subscription models. Of that 2% incremental growth, how should investors think about what might be addressable within the assets that CVS has today versus what the company may have to buy or build?

Answer – Shawn M. Guertin: Right. So at the time we did that, we had a view that about half of that growth would

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come truly from new kind of – likely kind of acquisition sources, external sources, but that we'd also be able to get about the other half from our existing businesses, either in the form of better margins or better growth. And that's sort of how we saw that outlook for 2024. And today, I think we are still committed to delivering the EPS targets that are implicit in that guidance. Inevitably when you do something like that over a multi-year basis, the eventual path will be a little bit different potentially in its composition. And one of the variables obviously there is the timing of any acquisition activity that we're able to execute on. I think the thing that we did do and is a bit of a safety net, if you will, has been, we were careful with our assumptions about capital deployment and share repurchase throughout all that. So, as we think about sort of the variable of timing, we think the strength of our cash flows and our capital deployment can be something we can use to sort of offset that timing issue and potentially stay on the trajectory. A lot more to play out here, but it really was sort of both an effect on the existing business and sort of our new assets, if you will.

Question – Lindsay Golub: Okay. Great. And thank you for the color. Maybe talking a little bit about M&A specifically, you've indicated that primary care, MSO capabilities and home health are all spaces where you're looking externally. How are you prioritizing those as in we think about working towards the goal on taking on more risk-based care? And what do you see as the most attractive avenue to accelerate that effort?

Answer – Shawn M. Guertin: Yeah. So, all three of those remain our priority and in many ways they become sort of the legs of a stool that we need to sort of achieve our vision. If you think about the first two in there, the primary care delivery and the MSO capability, really in some ways they've become a front door to our kind of ecosystem going forward. One might be one that you own on a proprietary basis. One might be one where you're partnering. And obviously, those have different capital dynamics, different growth dynamics, but they're equally important, I think, for a company of this size. And I also think some markets may be more amenable to one approach than the other as you go through them. Our vision, obviously, is to have community assets, have virtual assets and have home assets and that's where the home leg kind of comes in.

So, ideally the first two make more sense and then attach sort of home when you have that, but obviously, the world doesn't always present itself in a nice orderly fashion for you to decide, but that's why we sort of talk about them as three, but I think with those three, we really have a sound foundation to think about how we could frankly build other assets on into the future and then go back to enhance sort of our existing business.

Question – Lindsay Golub: Wonderful. And maybe talking about sort of continuing on M&A, given the difference in views on valuation between buyer and seller, how has your thinking changed between full ownership and partnership?

Answer – Shawn M. Guertin: I would say that we've always been open to both approaches, probably more so in the past. I think there are actually pros and cons, in almost every situation, of taking a partial ownership stake or a full ownership stake. Obviously, one of the bigger things when you're at the beginning of executing a strategy is wanting to make sure that you can shape it and deliver on what you think you need to get those benefits that you started the questioning with. So you always want to make sure you have that. But like I said, I think there are some real risk management, capital benefits and whatnot of both approaches. So we approach that asset by asset, situation by situation and try to think not only about what works best for the business, but frankly what works best for both parties in that discussion.

Question – Lindsay Golub: Yeah, that makes a lot of sense. And with such a large footprint geographically, it makes sense that you're taking different approaches by place and...

Answer – Shawn M. Guertin: Right.

Question – Lindsay Golub: ...thinking through with multi-strategy.

Answer – Shawn M. Guertin: Exactly. And in many ways, this is unlike a lot of deals that have been done in this space and that this is more of a capability play, right, as opposed to just like an overlap kind of play. And so really those capabilities become really the key thing that you're trying to evaluate, and to your point, I think there is different mechanisms to avail yourselves of those.

Question – Lindsay Golub: Right. Yeah, thank you for the color there. For many of the primary care models out there, I think investors are still looking to get comfort with sort of the long-term sustainability and profit ramp. When

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you think about with the maturation of these businesses?

Answer – Shawn M. Guertin: Yeah, I think – and I think they still are fair questions to ask, whether it be about Medicare or commercial about sort of the models and how they perform. But the one key thing, I think, will be that these models are always going to have to work, I think, in a value-based or a risk-bearing mode, I think, going forward. And that could take various shapes and sizes. But one of the things that, obviously, we want to evaluate in each asset is their ability to take and manage risk. Now, obviously, that's a capability that we also have and there's a lot of elements of that from our insurance enterprises that we understand sort of how to measure. So I think that is something that we can help round out. Obviously, one of the things that we bring is the potential to put membership through generally what our under-capacity kind of operations, right, that have been built out.

So our ability, I think, to get membership in there sooner rather than later can also help some of that economic kind of impact of where they are right now in their development. But I also think the technology that's for us, we're not trying to build an integrated experience that looks just like today's traditional primary care. It really is going to be one that has a more – a fundamentally better and different consumer experience. And frankly, that's going to be the basis of competition for us. So their ability to do that, which often is heavily driven by the technology that they have and how they interface with their providers and how they interface with their consumers and even how they interface with specialists and other providers and it's absolutely a critical part of the experience. And I think that's one of the more important things that we try to evaluate when we look at these.

Question – Lindsay Golub: Great. Thank you. And obviously technology is a huge part of...

Answer – Shawn M. Guertin: Right.

Question – Lindsay Golub: ...building this and we hear all the companies across services increasingly talk about...

Answer – Shawn M. Guertin: Right.

Question – Lindsay Golub: ...the importance of having that base of technology.

Answer – Shawn M. Guertin: And for us and it's obvious, right, but for a company of our size and scale, the scalability aspect of any of these models has to be enabled by their technology, okay.

Question – Lindsay Golub: Great. And sort of going off of that, when you think about the move to value-based care, what is your thinking on how to get the most leverage out of the stores that you have?

Answer – Shawn M. Guertin: I think in some ways, obviously, there are some big benefits that we have as an organization on what I'll call fulfillment side of this. Our ability to procure pharmacy, right, our cost of goods sold is as good as anybody given our size, right, so there's just some simple kind of cost management things we can do. But I think a really good example of this though is actually the MinuteClinics and HealthHUBs. I think in the past these have largely existed as kind of a wide catch basin for episodic care kind of low acuity episodic care. I think going forward they actually play two more critical roles in addition to that. One, if you think about any provider who is on risk either full or partially, the ability to direct somebody to that kind of low-cost setting for a diagnostic test or whatever they need as opposed to sort of a more expensive setting, I think, can be very, very valuable to risk-bearing positions (09:37). And obviously, we have about 1,000 of those across the country with a great deal of coverage.

I think the other important thing is, I think most people understand this now but we talk sometimes about virtual and telemedicine as sort of an independent channel, when in reality that's going to just become an integrated part of everyone's provider experience. You're going to expect it. But importantly, that really can't exist fully in an isolated environment because there is going to be a time where you need to have somebody see somebody or get a test done. And again, I think the MinuteClinics and HealthHUBs are ideally situated to be that physical touch point for sort of telemedicine or virtual. So, I think in many ways sometimes when you think about our assets, we have a lot of things that surround primary care, but don't have the center. And I think the things that we can bring because of our size and our scale can really enhance sort of the overall experience.

Question – Lindsay Golub: Yeah. Very helpful. And maybe just before we move on to retail, which I know is

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(10:43) big focus area for investors, maybe just one last one on capital deployment. In the absence of M&A this year, what do you think about resuming share repurchase activity early? This is just a question we've been getting from some investors.

Answer – Shawn M. Guertin: Yeah. It's always an option. And to some extent, what went on (11:00) at Investor Day, one of the things that we said we were going to do was to do at least enough share repurchase to offset the dilution in the share count each year because of equity comp. So, at some point this year, it's likely we would do that to offset next year's dilution anyway, probably towards the end of the year or the beginning of next year. The question is, do we do more. And that always is the flux, right, about that. Obviously, I think doing the right M&A deal is paramount to our long-term growth. So, I do have some bias to make sure that we're well prepared to be able to execute on that when we can. But that certainly is a possibility. And I do think sometimes it's an underappreciated part of the story when you look at the strength of our cash flow. And sometimes, we get down into the weeds talking about this deal or this accretion and you just think about how that cash flow can sort of fill in sort of timing gaps. It's very powerful when you look at it. So it's something that we always – is always on the radar. My first choice is always to grow the business sort of strategically with that. So I always want to do that. But there's always that optionality out there.

Question – Lindsay Golub: Yeah, great to hear because obviously there're multiple avenues for deploying the free cash flow...

Answer – Shawn M. Guertin: Correct.

Question – Lindsay Golub: ...that CVS has. Great. Let's move on to the retail segment. Key focus area right now. Maybe starting with COVID, case counts have remained high, but there have been fewer hospitalizations and sales have been shorter. It seems like there could be some change in the relative size of testing versus treatment costs. Can you help us think about how these current dynamics impact your HCB and retail segments?

Answer – Shawn M. Guertin: Yeah, obviously, from a macro picture, we've had these two kind of countervailing forces throughout COVID, whereas case counts go up, we see the hit in HCB, we see higher testing, we see higher treatment. But we also then see higher testing revenue and higher vaccine revenue and associated treatment with retail. I would say that I would expect we're going to continue to see that dynamic. Certainly what you described is what we evidenced in the first quarter where even though case counts were high, they certainly weren't as the costs in HCB weren't nearly as high as they've been in the past. So I think this ongoing testing/treatment cycle does continue to have a longer tail. I mean, people, whether it'd be conferences like this or travel or work, right, there's still this testing tail that is going on even as people, I think, frankly would become more acclimated.

And when you think about even whether there's going to be seasonable boosters and things like that, one of the nice things we have with the MinuteClinics is we can go right from test to treat, right, and the pharmacy can do that all as part of one cycle, and I do think that's one of the things that has come out of this as we think about that more broadly for other conditions to be able to sort of do that efficiently for the consumer, I think, is something that that, I think, will carry on with us kind of going forward on this. So I do expect we'll continue. This feeling every day more and more like this is going to be endemic and that there will be this sort of tail that we continue to have to sort of navigate through as a company.

Question – Lindsay Golub: Yeah. And obviously, I'm not going to try and predict COVID, but it does seem like this is sort of a longer term.

Answer – Shawn M. Guertin: It does. But to your point...

Question – Lindsay Golub: It's going to impact the company, it's going to impact the society.

Answer – Shawn M. Guertin: It's been impossible to predict, to your point, even when the – now we're seeing severity as a variable, even with certain kind of case counts kind of going up and going down. So it is a very difficult thing to predict, but it does feel like we're continuing to see those forces sort of at work against each other.

Question – Lindsay Golub: Okay. Thank you.

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Answer – Shawn M. Guertin: The important thing on HCB to remember for this year is this is the first year where we've really been able to put that into pricing, right? We've never – we didn't really have that in the past years. So you really had pulled back. And for this year, some of what we're seeing the favorability isn't only the lower severity, but the fact we've put something in the pricing for it in a meaningful way.

Question – Lindsay Golub: Great. Yeah, we definitely want to get into pricing and cost trend in HCB. I'm going to stick with retail for now. On 2022 specifically, retail segment COVID revenue was lower than expected in the first quarter, but you left the guidance unchanged, offset by demand for a second booster for people over the age of 50. Having been through this a few times now, do you feel like you have good visibility on what demand for that fourth shot will look like? And how has demand in the initial weeks since the CDC recommendation been versus what you were expecting?

Answer – Shawn M. Guertin: Yeah. Again, it goes back to the point you made. It's very difficult to even use the word comfort, but I do think to your point, we have seen patterns that I think, have continued to play out. So the overall level of activity, I think we understood that level in Q1. So, obviously, we affirmed our guidance for the year. So I think we feel that the pieces together are kind of working in an unexpected way right now.

Question – Lindsay Golub: Okay. Yeah. Thank you for the color. Maybe just turning to the long-term retail outlook. I think prior to the pandemic, it had kind of been a fight to keep the retail segment EBIT flat given just reimbursement pressure and very challenging dynamics on the frontend. When we think about your guidance for flat to slight growth in retail, how are you thinking about the longstanding headwinds that have impacted the business like reimbursement pressure, but also tailwinds on the other side from omnichannel and the growing basket size?

Answer – Shawn M. Guertin: Yeah. I think it is a bit of a tale of two cities, right, on one on terms of the headwind blowing in your face. The biggest challenge for that business has been the pharmacy reimbursement pressure over the last few years and that's continued this year. As I mentioned, if you wanted to say it's good news, it's stabilized. It's certainly not accelerating. So it has stabilized. But what that has done is there are some really strong dynamics under that. I mean, we have been growing share in script counts. I think the first quarter we were double the market average and we've taken share at least eight quarters in a row. And so a lot of the things we're doing around omnichannel, around buy online pickup or sort of things like that, there's a lot of things that are showing up with us taking share. And it's one of the ways that we're combating, if you will, the reimbursement pressure.

So that has been very good. The front store trends have been excellent in the first quarter and they were very strong last year. But to your point, this is a problem that we need to sort of both confront on the supply and demand end of the curve. And so we're looking at different ways that we can continue to work on the cost of goods sold side of this equation and help us navigate this. Obviously, closing the 900 stores was another tool that we had to try to combat some of these pressures. So I would say it is still a challenge for that business to find its way to flat and pharmacy reimbursement pressure is the biggest item, but there are also some things under the surface that are working the other way, which have been pretty positive to eat into that a great deal.

Question – Lindsay Golub: All right, one of the things that you've been mentioning as we talked about retail and mentioned that you had a very strong performance somewhat aided by COVID just beyond this year. How are you thinking about further erosion if COVID related earnings that are still embedded in the retail segment? And I understand that we just talked about the offsets on the HCB side and these other tailwinds, but just trying to get comfortable with the second (18:40) earnings outlook?

Answer – Shawn M. Guertin: Yeah, I think coming off anything from the peak, it's hard – it's always sort of directionally – it seems like it's going in one direction. But like I said, I think it still the hardest thing obviously to predict. I think it going to zero, seems more and more unlikely. A lot of this will come down to I think whether there are endemic or seasonal sort of treatment patterns which you're hearing talked about in the market and what that will mean. One of the things for us that's true now, that we're seeing is if you think about back when a lot of this started, you had these large like mass testing centers, a lot of that infrastructure doesn't exist. So a lot of that volume is now being pushed into a sort of a smaller system. So it seems like it's still going to be there that whole test and treat cycle for a while. And I think a lot of this will have to come down to sort of the necessity or the recommendations or not (19:39) for rather there would be a seasonal booster of some sort going forward which is still to be determent.

Question – Lindsay Golub: Okay. Well, maybe one last one on retail. On wage pressure, you guided to $600

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million run rate of wage investments over the next three years. Wage pressure has remained persistent in the broader economy. Do you feel like the company has remained competitive on this level of wage investment when it comes to attracting and retaining employees?

Answer – Shawn M. Guertin: Yeah, I mean we've done okay and I think it was fortunate that we launched that move before a lot of this took off in full force. We're certainly not immune from the hiring challenges in the market, but we've actually done okay. And I think getting in front of that has gone a long way for us to helping kind of push through this and that's true at the retail end, it's also true probably in the Caremark and the Aetna businesses too where we've had to do a lot of hiring for growth. We've generally done pretty well and have maintained service levels and hours in the stores and things like that. So it's certainly something that's at the top of the list as we kind of monitor and think about, but net-net, we've been okay so far.

Question – Lindsay Golub: Great. Yeah. Glad you're feeling okay there. And, yeah, I know that you've talked about this a little bit before, really getting ahead. Maybe turning now to pharmacy services and starting with the long term PBM outlook, how are you thinking about the build to high single digit growth for Caremark over the next couple of years? Pharmacy spend typically grows 6% plus or minus. Where do you see opportunities to outperform the market? And are there any underlying assumptions around market share gains built into that outlook?

Answer – Shawn M. Guertin: I think the – we've had a lot of discussions with this and I would say like structurally sort of absent maybe where we are in any given business cycle. I would concur that I think it's probably a mid-single-digit growth business. I think the strength of specialty and in particular the potential over the next two or three years for the specialty generics and biosimilars to come into the market. I think it can be a major contributor to take that from mid-to-high and the high, not necessarily the only factor that timing could be very lumpy because there's a lot to – frankly just difficulty sometimes predicting the timing. But there's a lot of detail as to what's coming on, when and how that's going to get treated. So, I think that's one of the bigger opportunities that can help push that up.

Again, just the overall strength we had one of our bestselling seasons in a long time and 2022, the trends in the specialty pharmacy business broadly have been very favorable for us. And we've continued to do an excellent job on the cost of goods sold for our clients. So I think that business is in a decent place and well-positioned for the next couple of years.

Question – Lindsay Golub: Yeah. Thank you for the detail there. Another one on PBMs, a little bit different, Centene released its PBM RFP earlier this quarter. Was there anything in the RFP that was different than expected and what's the timeline for response you can comment on that?

Answer – Shawn M. Guertin: Yeah. We typically don't get into detail about individual customer relationships and their RFPs, obviously there are very important customer or customer I think we've served well. I think we have a particular expertise when you look at our health plan client list about government programs. And so we want to do everything we can to keep them and meet their business needs as well. And I think, again, the things we bring to the table because of our ability to get cost of goods sold, frankly, our clinical programs, we continue to do – to produce fantastic sort of trend results for our clients and we'll continue to do that for all of our clients. But for Centene, for sure.

Question – Lindsay Golub: Okay, thank you and appreciate that. One last one for now on the PBM. There have been a lot more headlines on the regulatory front in this area, including the introduction of new legislation and also an FTC investigation announced this month. It's difficult to know the outcome, but it seems like spread pricing is one of the things that the FTC has focused on. How do you characterize the relative importance of spread pricing in the PBM model today and how has that changed from the past?

Answer – Shawn M. Guertin: Yeah, a lot of this gets into how – what even people mean by spread pricing, right? And in the most classic sense of the old network definition, that's obviously been something that over time has gone down as a source of earnings and those earnings have gone other places. So I think the thing to keep in mind is this has been looked at multiple times in the past whether it'd be at the state or the FTC level. And in all those surveys, they do ultimately conclude that there's a significant effect that the PBMs have on keeping costs down.

I think it's interesting to think about that study and that conclusion in an inflationary environment, because I do think every time this is looked at fairly and objectively, they do see that that the PBMs have played a very important role. We just released I think our drug trend I think it was either through the third quarter or the fourth quarter of last year

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in the 3.5% range. So there is a very important role that PBMs play here to keep costs down for employers and individual consumers.

Question – Lindsay Golub: Okay. Maybe we'll come back, we have time to the PBM. But maybe moving on to the Health Care Benefits segment, the providers that we've had at our GS Healthcare conference this week are saying that utilization has been slower to come back than anticipated in the second quarter and medtech has also had a similar message. Is that consistent with what CVS has been seeing on the utilization front?

Answer – Shawn M. Guertin: I wouldn't want to give intra-quarter sort of updates here. Again, I'd go back and say we did affirm obviously our outlook. So the things we've been seeing and obviously been within that framework of that outlook. But if I went back to first quarter, right, those trends were certainly in evidence in the first quarter. We continue to see what we would think as baseline utilization being below the baseline. And it has followed a very familiar pattern where commercial tends to be closest to the baseline and then Medicare and then Medicaid. And we've seen that very consistently throughout the pandemic. We saw that in the first quarter of this year. And it is getting – I tell people, it's like getting difficult to look at that and start to think about whether that's deferred or not because you, obviously, are now going all the way back to 2019 and trending that forward and trying to form conclusions, which I think are becoming as much artistic as scientific in that analysis. So whether this is the baseline utilization we're going to see, because we do see some things, for example, maybe going to outpatient more. Now that was a trend that was happening before the pandemic. So is that a continuation of that? It's hard to tell, but it's certainly – one could certainly kind of come up with a hypothesis that perhaps that is going to be a preference going forward. So our first quarter I think was very consistent with those commentary and the pattern was very consistent to one we saw a lot of last year.

Question – Lindsay Golub: Okay. Thank you for the comments. And I think we can appreciate that the comps, yeah, it's definitely challenging.

Answer – Shawn M. Guertin: Right.

Question – Lindsay Golub: Looking back to the past with all of the sort of volatility with COVID here. Maybe on cost trend, we've seen higher than normal requests for rate increases from providers this year just given the cost pressures they're facing, including on labor. And some of your peers have talked about that this week. How does the contracting process work and how would higher costs are reflected in the rates that you agreed to? And do you see this as having the potential to drive a significant change in cost trend versus recent years?

Answer – Shawn M. Guertin: Yeah. I think this in – for the most part right now is largely a commercial issue...

Question – Lindsay Golub: Okay.

Answer – Shawn M. Guertin: ...in that the Medicare and generally the Medicaid rates are schedule based and fixed and a lot of those have been released already. And you can see what those are going to be. So this would show up in our forward pricing assumptions for commercial and the unit cost assumption in particular. And this is more of a hospital issue than I would say, it is an individual physician issue because again, a lot of those are fee schedule based and tied to Medicare in some form or things like that. So it's really a hospital issue. Obviously, this is not an issue for 2022. That's all contracted. A great deal of 2023 has been contracted as well. The typical most of our hospital contracts are multi-year in nature. A typical duration is three years, so you could think about a third of your hospital unit costs coming up for renegotiation every year. And within that, we are definitely seeing push in those negotiations to no surprise. But going back to how does this show up? What this becomes about is how you factor that into your forward pricing. So we're definitely going to factor in higher unit cost assumptions into our forward pricing.

The interesting dynamic in the market now about this is you have a COVID load and a lot of the pricing, right, that which in theory to our prior discussion with the recognizing the difficulty predicting it at some point would probably come down. And so you do have a rate level that's been pushed up a little bit for that. But at the end of the day it – I think it's only prudent that we have to assume that there's higher unit costs on the hospital side and build those into our forward pricing.

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Question – Lindsay Golub: Got it. Very helpful. Maybe in the last couple of minutes that we have, we'll go a little bit into the HCB segments. On Medicare Advantage, you've seen double digit enrollment growth the last several years. The 2023 bids were due just last week. At a high level, how did you approach your bids for next year and what do you see as the biggest opportunities to continue to grow your MA better?

Answer – Shawn M. Guertin: No, I mean, obviously, our star ratings have improved. Obviously, the reimbursement was, I think, a fair reimbursement level for us to go into next year. And I feel good about the bids for next year. We don't have a margin problem that we're trying to correct. We don't have any distribution issues that we're trying to correct. So that operation is running very well. And so I think we could do some really attractive things around positioning.

And on the – I would say on the margin, we still have some opportunities around geographic expansion, not as big as they used to be, but we are still going to expand geographically in terms of the dual eligibles, that's a population that we're under indexed in where we've had very strong growth the last few years. And so I would expect that we would continue to do that growth. And I think a lot of this sometimes we focus on one element or another. But like any – frankly, any business, there's just a lot that goes into making this successful. It's your marketing, it's your distribution, it's your plan design, which is premium and benefits. And all of those things really sort of have to work in concert for you to have a successful year. But, the business is performing well. And at this relatively early stage, I feel pretty optimistic that we can continue the trajectory we've been on.

Question – Lindsay Golub: Great. And obviously, it's a very complicated market-by-market process with Medicare is, I think a lot of investors have sort of learned over time with this market and maybe just then going off of that to dive into how that process works. Where do you think CVS moves needle most on value prop to the member given so much of the market today is already a zero premium or zero co-pay for primary care?

Answer – Shawn M. Guertin: Yeah, I mean it is – I do think over time and to your point the market has come (31:42) there. But there was a time when there was a divergence in the market between premium bearing and zero premium, and we were very much zero premium zealots at the time and stuck that and I think that has served us very well. I still think we're for not the most, we're close to the top in terms of percentage of zero premium membership representation. So I think that's important.

I think some of our other assets, it's probably small in the grand scheme of things, but are beginning to sort of have marginal benefit with us as well. But again a lot of this is also about distribution. There's an awful lot of this that's still sold, not bought, right, by people. So working those relationships and knowing sort of how to – how and where to spend your money in the distribution season is important, stars is important as well.

Question – Lindsay Golub: Okay. Maybe in the last two minutes, let's move to commercial. How are you thinking about the growth outlook for commercial next year? I think there's some concern around the economy and level of employment, but the redetermination process in Medicaid could potentially push people into commercial. With the macro uncertainty and cost pressures impacting employers, are you seeing any change also just going off of that in their priorities and what they're looking for from a health benefits standpoint, so maybe just touching on some of the macro fears and then also if there's any shift in priorities?

Answer – Shawn M. Guertin: Yeah, obviously over the period of time, the commercial is doing well in fact from a membership standpoint, it probably looks as positive as it's looked in a long time. But a lot of that I think is some of this in group growth, right, that we've been seeing over time. When you look at the 2023 season, I wouldn't say we're seeing anything abnormal or different in the pipeline yet. Now historically as cost trends have gone up to the point of your prior question, this has led employers sometimes to go to bid more often or to buy their benefits down and change benefit plan design, something we used to talk about all the time that we haven't really had to talk about in these lower cost sort of environments. So I wouldn't be surprised to begin to see that, obviously if there's some kind of economic turn right, and how that sort of ripples through employment levels will be something that will have to watch. But we're not really seeing that yet. So it's been a positive story for us over the last year and we feel pretty good about the momentum we have going into next year.

Wonderful. Well, with that, we just have a couple of seconds left, so maybe I'll close it out. Thank you, everyone for coming. And thank you again...

Thanks.

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...CVS and the whole team for being out here in California.

Sure. Thank you, Lindsay.

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